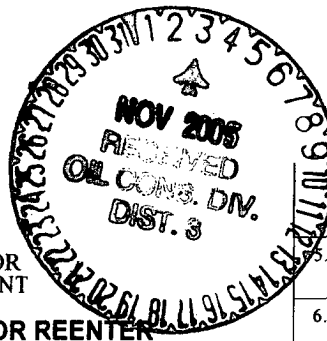


UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT



FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. SF-078460
1b. Type of Well: <input type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name
2. Name of Operator ConocoPhillips Company		7. If Unit or CA Agreement, Name and No. SAN JUAN 32-7 UNIT
3a. Address 4001 Penbrook, Odessa, TX 79762		8. Lease Name and Well No. 245
3b. Phone No. (include area code) 432-368-1352		9. API Well No. 30-045-33431
4. Location of Well (Report location clearly and in accordance with any State requirements, *) At surface 1705 FNL - 1965 FEL At proposed prod. zone		10. Field and Pool, or Exploratory BASIN FRUITLAND COAL
14. Distance in miles and direction from nearest town or post office*		11. Sec., T. R. M. or Blk. and Survey or Area SECTION 17, T32N, R7W
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)	16. No. of acres in lease 2562.30	17. Spacing Unit dedicated to this well E/2 - 346.12 ACRES
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	19. Proposed Depth 3286'	20. BLM/BIA Bond No. on file
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 6529 GL	22. Approximate date work will start*	23. Estimated duration

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, must be attached to this form:

- | | |
|--|---|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO must be filed with the appropriate Forest Service office). | 6. Such other site specific information and/or plans as may be required by the BLM- |

25. Signature Vicki Westby (sig)	Name (Printed/Typed) Vicki Westby	Date 3/31/05
Title Staff Agent		
Approved by (Signature) [Signature]	Name (Printed/Typed) [Signature]	Date 11/1/05
Title AFM	Office FFO	

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
Conditions of approval, if any, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on page 2)

The APD for this well expired on 2/26/2004. ConocoPhillips Company is filing for a new APD. All terms and conditions as outlined on the attached documents remain the same as the original APD.

See more operator comments on next page.

NMOCD

2005 APR 1 10 15
REC'D
OIL CONG. DIV.
FARMINGTON NM

District I
PO Box 1980, Hobbs, NM 88241-1980
District II
811 South First, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C-
Revised October 18, 1981
Instructions on b.
Submit to Appropriate District Office
State Lease - 4 Cop
Fee Lease - 3 Cop

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number 30-045-33431	2 Pool Code 71629	3 Pool Name Basin Fruitland Coal
4 Property Code 009260 31329	5 Property Name SAN JUAN 32-7 UNIT	6 Well Number 245
7 OGRID No. 017654 217817	8 Operator Name Canaco PHILLIPS PETROLEUM COMPANY	9 Elevation 6529

10 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
G	17	32N	7W		1705	NORTH	1965	EAST	SAN JUAN

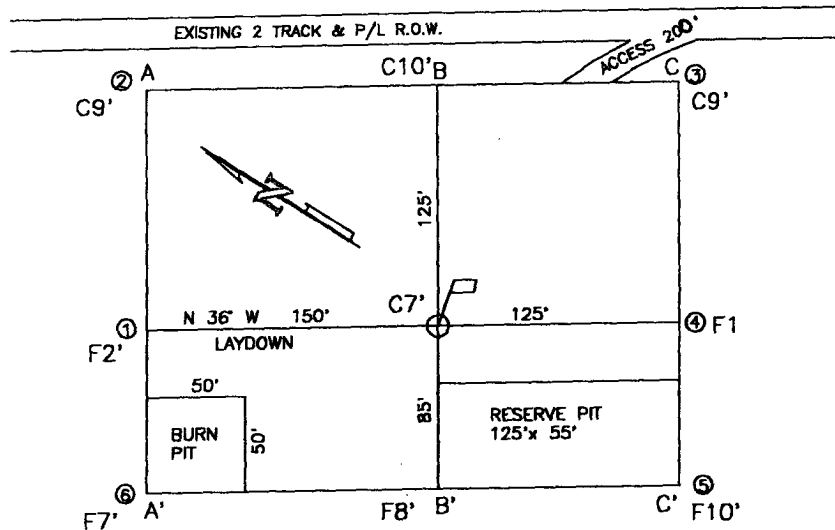
11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
G									

12 Dedicated Acres 346.12 E/2	13 Joint or Infill Y	14 Consolidation Code U	15 Order No.
---	--------------------------------	-----------------------------------	--------------

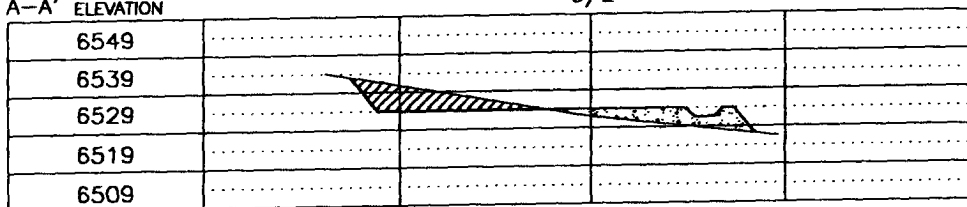
NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16	S79°04'W	5435.76'	17	OPERATOR CERTIFICATION
4	3	2	1	I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief
5383.62'	5	6	7	Signature <i>Patsy Clugston</i>
		SF-078460 2562.30 acres	8	Printed Name Patsy Clugston
		1705'		Sr. Regulatory/Proration Clerk
		1965'		Title
				11/28/01
				Date
N03°07'W	12	11	10	18 SURVEYOR CERTIFICATION
			9	I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief
				Date of Survey 11/28/01
				Signature and Seal of Registered Surveyor <i>[Signature]</i>
13	14	15	16	PROFESSIONAL SURVEYOR
N89°44'W	2601.72'	S72°40'W	2645.94'	Certificate Number 002501



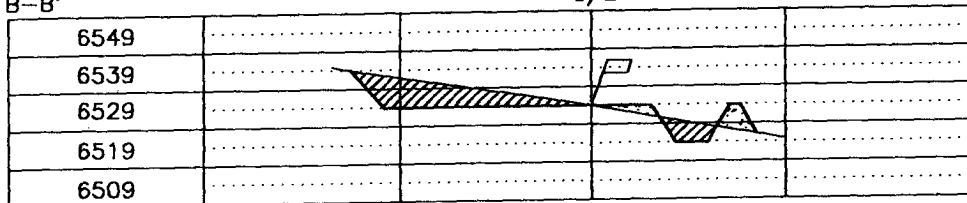
A-A' ELEVATION

C/L



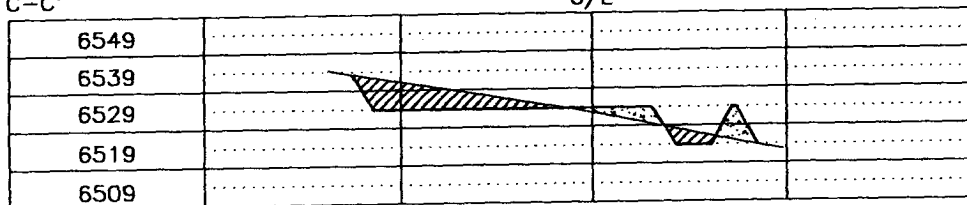
B-B'

C/L



C-C'

C/L



COMPANY: PHILLIPS PETROLEUM CO.

LEASE: SAN JUAN 32-7 UNIT No. 245

FOOTAGE: 1705 FNL 1965 FEL UNIT G

SEC. 17 TWN. 32 N RNG. 7 W N.M.P.M.

COUNTY: SAN JUAN STATE: N.M.

ELEVATION: 6529

LATITUDE: 36-59-05

LONGITUDE: 107-35-16

PHILLIPS PETROLEUM CO. FARMINGTON, NEW MEXICO		
SURVEYED: 10/25/01	REV. DATE:	APP. BY
DRAWN BY: K.REA	DATE DRAWN: 11/2/01	FILE NAME: UF204
UNITED FIELD SERVICES INC.		
P.O. BOX 3651 FARMINGTON, NM 87499 OFFICE: (505)334-0408		

PHILLIPS PETROLEUM COMPANY

WELL NAME: San Juan 32-7 Unit #245

DRILLING PROGNOSIS

1. Location of Proposed Well: Unit G, 1705' FNL & 1965' FEL
Section 17, T32N, R7W

2. Unprepared Ground Elevation: @ 6529'

3. The geological name of the surface formation is San Jose.

4. Type of drilling tools will be rotary.

5. Proposed drilling depth is 3286'.

6. The estimated tops of important geologic markers are as follows:

<u>Nacimiento - 719'</u>	
<u>Ojo Alamo - 22204'</u>	<u>Base of Coal - 3219'</u>
<u>Kirtland - 2269'</u>	<u>Picture Cliffs - 3396'</u>
<u>Fruitland - 3034'</u>	<u>Interm. Casing - 3079'</u>
<u>Top of Coal - 3099'</u>	<u>T. D. - 3286'</u>

7. The estimated depths at which anticipated water, oil, gas or other mineral bearing formations are expected to be encountered are as follows:

Water:	<u>Ojo Alamo - 2204' - 2269'</u>
Oil:	<u>none</u>
Gas:	<u>Fruitland Coal - 3099' - 3256'</u>
Gas & Water:	<u>Fruitland Coal - 3099' - 3256'</u>

8. The proposed casing program is as follows:

Surface String: 9-5/8", 32.3#, H-40 @ 200' *

Intermediate String: 7", 20#, J/K-55 @ 3079'

Production Liner: 5-1/2", 15.5# J/K-55 @ 3059' - 3286' (see details below)

* The surface casing will be set at a minimum of 200', but could be set deeper if required to maintain hole stability.

9. Cement Program: circulate cement
Surface String: 102.7 sx Type III cement. Cement to surface w/110% excess of casing/hole annulus volume w/Type III cement + 2% bwoc Calcium Chloride + 0.25#/sx Cello-flake + 60.6% Fresh water (14.5 ppg). (1.41 cf/sx yield = 145 cf)

9. Cement program: (continued from Page 1)

circulate cement
Intermediate String: Lead Cement: 349.3 sx Type III cement. Cement to surface - 110% excess casing/hole annular volume w/ Type III cement + 0.25#/sx Cello-flake + 5#/sx Gilsonite + 6% bwoc Bentonite + 10#/sx CSE + 3% bwow KCL + 0.4% bwoc FL-25 mixed + 0.02#/sx static free mixed at 12.0 ppg. (2.52 cf/sx yield = 880 cf)

Tail: 50 sx Type III cement + 0.25#/sx Cello-flake + 1% Calcium Chloride mixed at 14.5 ppg. (1.40 cf/sx yield = 70 cf)

Note: Phillips Petroleum continually works to improve the cement slurries on our wells. BJ Services is currently trying to improve what we are using now and before we would be use a new cement program it would have to have stronger properties than we are currently using.

Centralizer Program:

Surface: Total four (4) - 10' above shoe and top of 2nd, 3rd, & 4th jts.

Intermediate: Total seven (7) - 10' above shoe and top of 1st, 2nd, 4th, 6th, 8th, & 1st jt. into shoe.

Turbulators: Total three (3) - one at 1st jt below Ojo Alamo and next 2 jts up.

Liner :

- If the coal is cleated a 5 1/2" 15.5# liner will be run in the open hole without being cemented.
- If the coal is not cleated, a 4-1/2" 11.6# liner will be run & cemented. The well will then be completed by fracture stimulation.

10. The minimum specifications for pressure control equipment which are to be used, a schematic diagram thereof showing sizes, pressure ratings (or) API series and the testing procedure and testing frequency are enclosed within the APD packet.
11. Drilling Mud Prognosis: Surface - spud mud on surface casing.
 Intermediate - fresh water w/polymer sweeps. Bentonite as required for viscosity.
 Below Intermediate - air drilled.
12. The testing, logging, and coring programs are as follows:
 D.S.T.s or cores:
 Logs: Mud logs only

San Juan 32-7 #245 coalseam

SURFACE CASING :

Drill Bit Diameter	12.25 "	
Casing Outside Diameter	9.625 "	8.989
Casing Weight	32.3 ppf	
Casing Grade	H-40	
Shoe Depth	200 '	30 '
Cement Yield	1.41 cuft/sk	
Excess Cement	110 %	
Casing Capacity	0.0785 bbl/ft	0.4407 cuft/ft
Hole / Casing Annulus Capacity	0.0558 bbl/ft	0.3132 cuft/ft

Cement Required 102.7 sx

SHOE 200 ', 9.625 ", 32.3 ppf, H-40

INTERMEDIATE CASING :

Drill Bit Diameter	8.75 "	
Casing Outside Diameter	7 "	6.455
Casing Weight	20 ppf	
Casing Grade	K-55	
Shoe Depth	3079 '	
Lead Cement Yield	2.52 cuft/sk	
Lead Cement Excess	110 %	
Tail Cement Length	200 '	30 '
Tail Cement Yield	1.4 cuft/sk	
Tail Cement Excess	110 %	
Casing Capacity	0.0405 bbl/ft	0.2272 cuft/ft
Casing / Casing Annulus Capacity	0.0309 bbl/ft	0.1734 cuft/ft
Hole / Casing Annulus Capacity	0.0268 bbl/ft	0.1503 cuft/ft

Lead Cement Required 349.3 sx
Tail Cement Required 50.0 sx

LINER TOP 3059 '

SHOE 3079 ', 7 ", 20 ppf, K-55

LINER BOTTOM 3286 '

BOP AND RELATED EQUIPMENT CHECK LIST

2M SYSTEM:

2 hydr. rams (pipe & blind) or hydr. ram and annular with blind ram on bottom

Kill Line (2-inch minimum)

1 kill line valve (2-inch minimum)

1 choke line valve

2 chokes (refer to diagram in attachment 1) on choke manifold

Upper kelly cock valve in open position with handle available

Safety valve (in open position) and subs to fit all drill strings in use (with handle available)

Pressure gauged on choke manifold

2 inch minimum choke line

Fill-up line above the uppermost preventer

The BOPs will be pressure tested according to Onshore Order #2 III, A 1 and 30% safety factor.

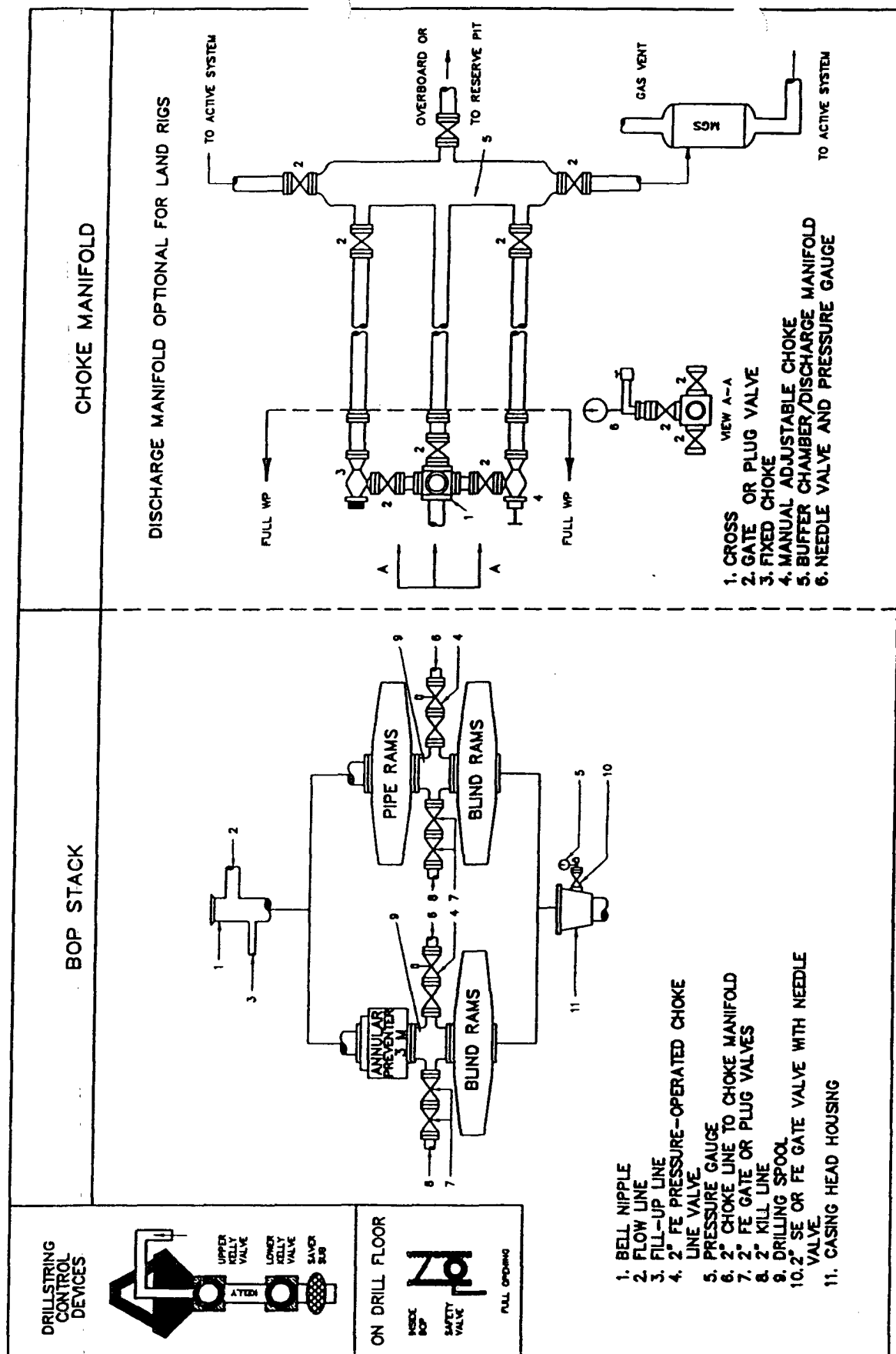


Fig. 2.4. Class 2 BOP and Choke Manifold.